

**CITY OF CASCADE**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES**

**JUNE 30, 2010**

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# CITY OF CASCADE

## OFFICIALS

<u>Name</u>	<u>Title</u> (Before January 2010)	<u>Term Expires</u>
Gregory Staner	Mayor	Jan. 2010
Matthew Nauman	Mayor Pro tem	Jan. 2010
Viva Betzner	Council Member	Jan. 2010
William Boffeli	Council Member	Jan. 2012
Michael Henry	Council Member	Jan. 2012
Steven Knepper	Council Member	Jan. 2012
Randy Lansing	City Administrator/Clerk	Indefinite
Shelley Annis	Deputy Clerk	Indefinite
William G. Blum	Attorney	Indefinite
(After December 2009)		
Gregory Staner	Mayor	Jan. 2012
Michael Henry	Mayor Pro tem	Jan. 2012
William Boffeli	Council Member	Jan. 2012
Steven Knepper	Council Member	Jan. 2012
Scott Soppe	Council Member	Jan. 2014
Robert Moriarity	Council Member	Jan. 2014
Randy Lansing	City Administrator/Clerk	Indefinite
Shelley Annis	Deputy Clerk	Indefinite
William G. Blum	Attorney	Indefinite

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

**STEVEN S. CLAUSEN, CPA**

124A Main • P.O. Box 359

Elkader, Iowa 52043

(563) 245-2154 • (800) 310-2154

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, and each major fund of the City of Cascade, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Cascade's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2009.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by activity of the cash basis net assets and the distribution by fund of the cash balances at July 1, 2009, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the

respective cash basis financial position of the governmental activities, the business type activities, and each major fund of the City of Cascade as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

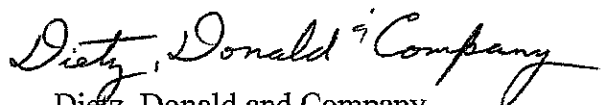
In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2011 on our consideration of the City of Cascade's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 30 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cascade's basic financial statements. Other supplementary information included in Schedules 1 through 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, is fairly stated in all material respects in relation to the basic financial statements taken as a whole

Elkader, Iowa

January 24, 2011

  
Dietz, Donald and Company  
FEIN 42-1172392

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# ***CITY OF CASCADE***

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Mayor: Greg Staner  
City Administrator:  
Randy Lansing  
City Clerk &  
Treasurer:  
Shelley Annis

320 I<sup>st</sup> Avenue West  
P.O. Box 400  
Cascade, IA 52033  
Phone 563-852-3114  
Fax: 563-852-7554  
cascadecity@netins.net

Council Members:  
Bill Boffeli  
Mike Henry  
Steve Knepper  
Bob Moriarity  
Scott Soppe

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Cascade provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements which follow. However, keep in mind that Chapter 11 of the Code of Iowa requires the City to have an audit of its basic financial statements once every four years because the City's population is less than 2,000 people. Therefore, any financial information presented herein for the fiscal year ended June 30, 2009 has not been audited.

### **2010 FINANCIAL HIGHLIGHTS**

Receipts of the City's governmental activities increased by 4.0%, or approximately \$ 65,000 from fiscal 2009 to fiscal 2010. Note proceeds increased \$ 165,000, and property taxes (including TIF receipts) increased approximately \$ 27,000. Charges for service decreased approximately \$ 84,000 due primarily to transferring a portion of garbage operations to business type activities.

Disbursements of the City's governmental activities increased 8.8%, or approximately \$ 156,000, in fiscal year 2010 from fiscal 2009. Community and economic development, general government, and public works disbursements increased approximately \$ 259,000 and \$ 25,000 respectively.

The City's total cash basis net assets decreased 5.2%, or approximately \$ 80,000, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased approximately \$ 196,000 and the assets of the business type activities increased approximately \$ 116,000. The discretely presented component unit's (Cascade Municipal Utilities) cash basis net assets increased 26.6% or approximately \$ 246,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole, including the discretely presented component unit, and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### **The City's Reporting Entity Presentation**

This report includes all activities for which the City of Cascade is fiscally responsible. These activities, defined as the City's reporting entity, are operated within a separate legal entity that is the primary government and another separate legal entity that is included as a component unit.

The primary government consists of one legal entity, The City of Cascade.

The component unit presentation consists of one legal entity, the Cascade Municipal Utilities.

## Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into three kinds of activities:

Governmental Activities include public safety, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, the sanitary sewer system and garbage collection. These activities are financed primarily by user charges.

Discretely Presented Component Unit consists of the Cascade Municipal Utilities, a legally separate organization that has the potential to provide specific benefits or impose specific financial burdens on the City.

## Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer, and garbage funds, considered to be major funds of the City.



The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$1.130 million to approximately \$ 933,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 182	266
Operating grants, contributions and restricted interest	218	250
General receipts:		
Property tax	877	850
Local option sales tax	224	209
Unrestricted interest on investments	7	31
Note proceeds	165	-
Other general receipts	19	21
Total receipts	<u>1,692</u>	<u>1,627</u>
Disbursements:		
Public safety	273	332
Public works	419	394
Culture and recreation	176	171
Community and economic development	312	53
General government	199	164
Debt service	339	314
Capital projects	205	339
Total disbursements	<u>1,923</u>	<u>1,767</u>
Change in cash basis net assets before transfers	(231)	(140)
Transfers, net	35	280
Change in cash basis net assets	(196)	140
Cash basis net assets beginning of year	<u>1,129</u>	<u>989</u>
Cash basis net assets end of year	<u>\$ 933</u>	<u>1,129</u>

The City's total receipts for governmental activities increased 4.0%, or approximately \$ 65,000. The total cost of all programs and services increased approximately \$ 156,000, or 8.8%, which included a \$ 200,000 forgivable loan for the construction of a new grocery store in the City. The increase in receipts was primarily due to borrowing \$ 165,000 for a street improvement project.

The City property tax rates remained unchanged for 2010. However, because of increased valuations, City property tax receipts increased approximately \$ 27,000. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase an additional \$ 63,000 next year.

The cost of all governmental activities this year was approximately \$1.923 million compared to approximately \$1.767 million last year. However, as shown in the Statement of Activities and Net Assets on page 15 the amount taxpayers ultimately financed for these activities was only \$1.523 million because some of the cost was paid by those directly benefited from the programs (\$ 182,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$ 218,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service decreased in 2010 from approximately \$ 516,000 to approximately \$ 400,000. The City paid for the remaining "public benefit" portion of governmental activities (\$1.523 million) with taxes (some of which could only be used for certain programs) and other receipts, such as interest and other general receipts.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 246	204
Sewer	218	253
Garbage	118	-
General receipts:		
Unrestricted interest on investments	6	6
Other general receipts	4	-
Total receipts	<u>592</u>	<u>463</u>
Disbursements:		
Water	181	163
Sewer	156	251
Garbage	104	-
Total disbursements	<u>441</u>	<u>414</u>
Change in cash basis net assets before transfers	151	49
Transfers, net	<u>(35)</u>	<u>(280)</u>
Change in cash basis net assets	116	(231)
Cash basis net assets beginning of year	<u>404</u>	<u>635</u>
Cash basis net assets end of year	<u>\$ 520</u>	<u>404</u>

The business type activities receipts for the fiscal year were approximately \$ 592,000 compared to approximately \$ 463,000 last year. The significant increase was due primarily to classifying the non-recycling portion of garbage collection as an enterprise fund in 2010. This accounting change increased business type activities receipts approximately \$ 118,000 in 2010. Cash basis net assets increased approximately \$ 116,000 from 2009, as there were no major projects in 2010. Total disbursements for the fiscal year increased 6.1% to approximately \$ 441,000.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Cascade completed the year, its governmental funds reported a combined fund balance of \$ 933,076, a decrease of over \$ 196,000 from last year's total of \$1,129,675. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$ 78,660 from the prior year to \$1,072,483. The General Fund had net transfers to other funds of \$ 131,220, including a loan to the Special Revenue, Urban Renewal Tax Increment Fund of \$ 100,000 and a transfer to the Debt Service Fund of \$ 80,014.

The Special Revenue, Road Use Tax Fund cash balance decreased \$ 15,871 to \$(45,080) during the fiscal year. This decrease was attributable to above normal snow fall during the winter months.

The Special Revenue, Employee Benefit Fund is being treated as a major fund for presentation purposes only.

The Special Revenue, Urban Renewal Tax Increment Fund was established to account for major urban renewal projects within the City. At the end of the fiscal year, the cash balance was \$ 60,090, a decrease of \$ 73,090 from the previous year. Disbursements included \$ 200,000 for a forgivable loan for a grocery store and \$ 72,992 for street construction. Another \$ 235,177 was transferred to the General and Debt Service Funds for debt retirement.

The Debt Service Fund cash balance increased \$ 2,400 to \$ 2,400 during the fiscal year. Bond and not principal and interest payments increased \$ 25,220 in fiscal year 2010.

The Capital Projects Fund cash balance decreased \$ 11,608 to \$(156,771) during the fiscal year.

Capital project disbursements decreased \$ 134,011 in fiscal year 2010. The fiscal year 2009 purchase of the Johnson Street NW property for \$ 132,500 being the primary reason for the decline in disbursements.

#### **INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS**

The Enterprise, Water Fund cash balance increased \$ 100,553 to \$ 394,129 due primarily to an increase of \$ 42,517 in water system receipts.

The Enterprise, Sewer Fund cash balance decreased \$ 1,083 to \$ 13,194.

The Enterprise, Garbage Fund was established by the City in the previous fiscal year to account for the non-contracted garbage services provided by the City. At June 30, 2010 the Fund had a cash balance of \$ 112,993.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 24, 2010 and resulted in a decrease in budgeted disbursements of \$ 41,000.

The City's receipts were \$ 145,381 less than budgeted. Because the City includes its component unit in the budget process, charges for services were \$ 211,223 less than budgeted, primarily related to Cascade Municipal Utilities.

The City's total disbursements were \$ 515,407 less than budgeted, primarily due to less being spent on capital projects in fiscal 2010 and the Municipal Utilities disbursements being less than budgeted. However, actual disbursements for the public works and community and economic development functions were \$ 84,264 and \$ 189,210, respectively, more than the amended budget, due primarily to an unbudgeted street project and a forgivable loan made to developers of a grocery store.

## DEBT ADMINISTRATION

At June 30, 2010, the City had \$ 888,910 in bonds and notes outstanding, compared to \$1,014,620 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	2010	2009
General obligation notes	\$ 497	535
Urban renewal tax increment financing revenue notes	390	480
Revenue bonds	2	-
Total	\$ 889	1,015

Debt decreased as a result of 2010 bond and note retirement of \$ 292,160 being more than the \$ 166,450 of debt issued.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$ 887,460 is significantly below its constitutional debt limit of \$5.7 million.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Cascade's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Sales tax receipts increased in fiscal 2010 by \$ 15,010 despite the sluggish economy. Taxable property valuations increased approximately \$ 668,000 or 1.3%. Over the last 30 years the City's population has increased 214 to 1,958 and that trend is expected to continue.

These indicators were taken into account when adopting the budget for fiscal year 2011. Amounts available for appropriation in the operating budget are approximately \$ 714,232, an increase of 13.1% over the final 2010 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$ 139,000 by the close of 2011.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Randy Lansing, City Administrator or Shelley Annis, City Clerk, 320 1<sup>st</sup> Avenue West, Cascade, Iowa 52033-0400.

## BASIC FINANCIAL STATEMENTS

Exhibit A

CITY OF CASCADE  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
As of and for the Year Ended June 30, 2010

Functions/Programs:	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Unit
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Primary Government		Total	
				Governmental Activities	Business Type Activities		
Governmental activities:							
Public safety	\$ 273,074	9,864	9,176	(254,034)	-	(254,034)	-
Public works	418,696	61,466	195,005	(162,225)	-	(162,225)	-
Culture and recreation	176,266	37,528	10,619	(128,119)	-	(128,119)	-
Community and economic dev.	312,345	-	-	(312,345)	-	(312,345)	-
General government	198,764	26,936	878	(170,950)	-	(170,950)	-
Debt service	338,932	46,354	1,924	(290,654)	-	(290,654)	-
Capital projects	205,124	-	-	(205,124)	-	(205,124)	-
Total governmental activities	1,923,201	182,148	217,602	(1,523,451)	-	(1,523,451)	-
Business type activities:							
Water	181,075	246,390	-	-	65,315	65,315	-
Sewer	156,022	217,602	-	-	61,580	61,580	-
Garbage	103,391	118,111	-	-	14,720	14,720	-
Total business type activities	440,488	582,103	-	-	141,615	141,615	-
Total	\$ 2,363,689	764,251	217,602	(1,523,451)	141,615	(1,381,836)	-
Component unit:							
Cascade Municipal Utilities	\$ 2,636,713	2,866,566	-				229,853
General receipts and transfers:							
Property tax				444,562	-	444,562	-
Tax increment financing				432,131	-	432,131	-
Local option sales tax				223,737	-	223,737	-
Unrestricted interest on investments				6,666	6,171	12,837	9,686
Note proceeds				165,000	-	165,000	-
Miscellaneous				19,307	4,128	23,435	6,530
Transfers				35,449	(35,449)	-	-
Total general receipts and transfers				1,326,852	(25,150)	1,301,702	16,216
Change in cash basis net assets				(196,599)	116,465	(80,134)	246,069
Cash basis net assets beginning of year				1,129,675	403,851	1,533,526	923,340
Cash basis net assets end of year				\$ 933,076	520,316	1,453,392	1,169,409
Cash Basis Net Assets							
Restricted:							
Nonexpendable:							
Utility deposits				\$ -	14,080	14,080	40,733
Expendable:							
Urban renewal purposes				60,090	-	60,090	-
Debt service				2,400	1,667	4,067	117,794
Unrestricted				870,586	504,569	1,375,155	1,010,882
Total cash basis net assets				\$ 933,076	520,316	1,453,392	1,169,409
See notes to financial statements.							

Exhibit B

CITY OF CASCADE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2010

	Special Revenue					Debt Service	Capital Projects	Total
	General	Road Use Tax	Employee Benefit	Urban Renewal Tax Increment				
<b>Receipts:</b>								
Property tax	\$ 430,134	-	14,428	-	-	-	-	444,562
Tax increment financing	-	-	-	432,131	-	-	-	432,131
Other city tax	240,517	-	-	-	-	-	-	240,517
Licenses and permits	7,226	-	-	-	-	-	-	7,226
Use of money and property	24,012	-	354	348	1,924	-	-	26,638
Intergovernmental	29,668	181,628	-	-	-	-	-	211,296
Charges for service	92,195	-	-	-	-	-	-	92,195
Special assessments	-	-	-	-	46,354	-	-	46,354
Miscellaneous	24,927	-	-	307	-	-	-	25,234
<b>Total receipts</b>	<b>848,679</b>	<b>181,628</b>	<b>14,782</b>	<b>432,786</b>	<b>48,278</b>	-	-	<b>1,526,153</b>
<b>Disbursements:</b>								
Operating:								
Public safety	273,074	-	-	-	-	-	-	273,074
Public works	132,847	197,499	-	88,350	-	-	-	418,696
Culture and recreation	176,266	-	-	-	-	-	-	176,266
Community and economic development	33,660	-	-	278,685	-	-	-	312,345
General government	180,272	-	14,828	3,664	-	-	-	198,764
Debt service	-	-	-	-	338,932	-	-	338,932
Capital projects	-	-	-	-	-	205,124	205,124	205,124
<b>Total disbursements</b>	<b>796,119</b>	<b>197,499</b>	<b>14,828</b>	<b>370,699</b>	<b>338,932</b>	<b>205,124</b>	<b>205,124</b>	<b>1,923,201</b>
Excess (deficiency) or receipts over (under) disbursements	52,560	(15,871)	(46)	62,087	(290,654)	(205,124)	(205,124)	(397,048)
Other financing sources (uses):								
Note proceeds	-	-	-	-	-	-	165,000	165,000
Operating transfers in	48,982	-	-	100,000	321,381	-	28,516	498,879
Operating transfers out	(180,202)	(19,724)	-	(235,177)	(28,327)	-	-	(463,430)
<b>Total other financing sources (uses)</b>	<b>(131,220)</b>	<b>(19,724)</b>	<b>-</b>	<b>(135,177)</b>	<b>293,054</b>	<b>-</b>	<b>193,516</b>	<b>200,449</b>
Net change in cash balances	(78,660)	(35,595)	(46)	(73,090)	2,400	-	(11,608)	(196,599)
Cash balances beginning of year	1,151,143	(9,485)	-	133,180	-	-	(145,163)	1,129,675
Cash balances end of year	\$1,072,483	(45,080)	(46)	60,090	2,400	-	(156,771)	933,076



Exhibit B  
(continued)

CITY OF CASCADE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2010

	Special Revenue					Debt Service	Capital Projects	Total
	General	Road Use Tax	Employee Benefit	Urban Renewal Tax Increment				
Cash Basis Fund Balances	\$ -	-	-	-	-	2,400	-	2,400
Reserved for debt service								
Unreserved designated:								
Police car	26,636	-	-	-	-	-	-	26,636
Fire truck	45,826	-	-	-	-	-	-	45,826
Riverview Park wall	50,602	-	-	-	-	-	-	50,602
Truck	26,187	-	-	-	-	-	-	26,187
Self-funded health insurance	42,010	-	-	-	-	-	-	42,010
Swimming pool	15,409	-	-	-	-	-	-	15,409
Cable	5,725	-	-	-	-	-	-	5,725
Parks/playground	35,382	-	-	-	-	-	-	35,382
Library	13,910	-	-	-	-	-	-	13,910
First Avenue bridge	554,647	-	-	-	-	-	-	554,647
Trail	41,785	-	-	-	-	-	-	41,785
Siren	16,248	-	-	-	-	-	-	16,248
Bicentennial	3,048	-	-	-	-	-	-	3,048
Unreserved, undesignated:								
General fund	195,068	-	-	-	-	-	-	195,068
Special revenue funds	-	(45,080)	(46)	60,090	-	-	-	14,964
Capital projects fund	-	-	-	-	-	-	(156,771)	(156,771)
Total cash basis fund balances	\$ 1,072,483	(45,080)	(46)	60,090	-	2,400	(156,771)	933,076

See notes to financial statements

CITY OF CASCADE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the Year Ended June 30, 2010

	Enterprise Funds			
	Water	Sewer	Garbage	Total
Operating receipts:				
Charges for service	\$ 246,390	217,602	118,111	582,103
Operating disbursements:				
Business type activities	181,075	156,022	103,391	440,488
Excess of operating receipts over operating disbursements	65,315	61,580	14,720	141,615
Non-operating receipts:				
Interest on investments	3,751	145	2,275	6,171
Deposits (refunds) net	4,128	-	-	4,128
Total non-operating receipts	7,879	145	2,275	10,299
Excess of receipts over disbursements	73,194	61,725	16,995	151,914
Operating transfers:				
In	30,401	4,975	-	35,376
(Out)	(3,042)	(67,783)	-	(70,825)
Net operating transfers	27,359	(62,808)	-	(35,449)
Net change in cash balances	100,553	(1,083)	16,995	116,465
Cash balances beginning of year	293,576	14,277	95,998	403,851
Cash balances end of year	\$ 394,129	13,194	112,993	520,316
Cash Basis Fund Balances:				
Reserved for debt service	\$ -	1,667	-	1,667
Reserved for utility deposits	14,080	-	-	14,080
Unreserved, designated:				
Wall pump	23,084	-	-	23,084
Garbage truck	-	-	100,998	100,998
Unreserved, undesignated	356,965	11,527	11,995	380,487
Total cash basis fund balances	\$ 394,129	13,194	112,993	520,316

See notes to financial statements.

CITY OF CASCADE  
Notes to Financial Statements  
June 30, 2010

**(1) Summary of Significant Accounting Policies**

The City of Cascade is a political subdivision of the State of Iowa located in Dubuque and Jones Counties. It was first incorporated in 1858 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Cascade has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has one component unit which meets the Governmental Accounting Standards Board criteria.

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component unit that is discretely presented in the City's report is presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Cascade Municipal Utilities (CMU)	Created to finance, develop and operate the Municipal Utilities which provides gas and electric services to the City. The CMU governing body is composed of three members appointed by the City Council.

The Utilities issues a publicly available audited financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: Cascade Municipal Utilities; 320 1<sup>st</sup> Avenue West; P.O. Box 400; Cascade, Iowa 52033-0400.

## Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dubuque and Jones County Assessor's Conference Boards, Dubuque and Jones County Emergency Management Commissions, and Dubuque and Jones County Joint E911 Service Boards.

### B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service. Activity between the primary government (the City) and the discretely presented component unit (the Cascade Municipal Utilities) are reported as if they were external transactions and are classified separately from internal activities within the primary government.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Non-expendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including customer utility deposits.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other times not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefit Fund is used to account for disbursements of the other employee benefits levy.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is to account for major construction and improvement projects in the City.

The City reports the following major proprietary funds:

The Enterprise Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Garbage Fund accounts for the operation of the City's garbage collection operation except for recycling which is accounted for in the General Fund.

C. Measurement Focus and Basis of Accounting

The City of Cascade maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The City's and Utility's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City and Utility are authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council or Utility Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3. However, the Utility had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$ 970 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The City's and Utility's investment policies limit the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City and Utility.

Credit risk- The Utility's investment in the Iowa Public Agency Investment Trust is unrated.

### (3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes, urban renewal tax increment financing revenue notes and revenue bonds of the City are as follows:

Year Ending June 30	General Obligation		Urban Renewal Tax Increment Financing		Total	
	Bonds		Revenue Notes			
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 112,160	22,512	90,000	15,178	202,160	37,690
2012	117,160	17,405	95,000	11,758	212,160	29,163
2013	122,160	11,983	100,000	8,100	222,160	20,083
2014	32,160	6,236	105,000	4,200	137,160	10,436
2015	32,160	4,809	-	-	32,160	4,809
2016-2019	81,660	7,293	-	-	81,660	7,293
Total	\$ 497,460	70,238	390,000	39,236	887,460	109,474

On February 17, 2010 the City entered into an agreement with the Iowa Finance Authority to issue \$145,000 of revenue bonds with an interest rate of 3% for construction of the Polk Street lift station. At June 30, 2010 the only draw against these bonds was the 1% initiation fee of \$1,450.

Annual debt service requirements to maturity for revenue notes of the Utility are as follows:

Year Ending June 30,	Revenue Notes	
	Principal	Interest
2011	\$ 95,000	14,710
2012	100,000	10,150
2013	105,000	5,250
Total	\$ 300,000	30,110

The resolution providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the electric utility and the note holders hold a lien on the future earnings of the utility.

- (b) Sufficient monthly transfers shall be made to an electric revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) Additionally, \$ 98,000 has been set aside from the note proceeds to a principal and interest reserve account. These funds are set aside for the purpose of making principal and interest payments when funds are not sufficient in the sinking account.

#### **(4) Pension and Retirement Benefits**

The City and Utility contribute to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the City and Utility are required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's and Utility's contributions to IPERS for the year ended June 30, 2010 were \$ 28,915 and \$ 18,133, respectively, equal to the required contribution for the year.

#### **(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 8 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 6 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City and the Utility.



The City and the Utility finance the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$ 305 for single coverage and \$ 762 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010 the City contributed \$ 64,688 and plan members contributed \$ 3,950. The most recent active member monthly premiums for the Utility and plan members are \$ 298 for single coverage and \$ 675 for family coverage. For the year ended June 30, 2010 the Discretely Presented Component Unit contributed \$ 43,549 and plan members contributed \$ 2,400.

#### **(6) Compensated Absences**

The City and Utility employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death.

These accumulations are not recognized as disbursements until used or paid. The City's and Utility's approximate liability for earned compensated absences payable to employees at June 30, 2010, are as follows:

<u>Type of Benefit</u>	<u>City</u> <u>Amount</u>	<u>Utility</u> <u>Amount</u>
Vacation	\$ <u>12,000</u>	\$ <u>18,000</u>

These liabilities have been computed based on rates of pay in effect at June 30, 2010.

#### **(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 14,749
	Urban Renewal Tax Increment	28,599
	Enterprise:	
	Water	3,042
	Sewer	<u>2,592</u>
		<u>48,982</u>
Special Revenue:		
Urban Renewal Tax		
Increment	General	<u>100,000</u>

**(7) Interfund Transfers (continued)**

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	80,013
	Special Revenue:	
	Urban Renewal Tax Increment	206,578
	Enterprise:	
	Sewer	<u>34,790</u>
		<u>321,381</u>
Capital Projects	General	189
	Debt Service	<u>28,327</u>
		<u>28,516</u>
Enterprise:	Enterprise:	
Water	Sewer	<u>30,401</u>
Enterprise:	Special Revenue:	
Sewer	Road Use Tax	<u>4,975</u>
Total		<u>\$534,255</u>

**(8) Related Party Transactions**

The City paid the Utility \$ 120,202 for gas, electric and collection service for the fiscal year ended June 30, 2010. The City received \$ 1,717 from the Utility for its share of certain insurance coverage.

**(9) Risk Management**

The City and Utility are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City and Utility assume liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance during the fiscal year ended June 30, 2010.

**(10) Deficit Balances**

The Special Revenue, Road Use Tax and Employee Benefits Funds and the Capital Projects Fund have deficit balances of \$ 45,080, \$ 46 and \$ 156,771, respectively, at June 30, 2010. The Special Revenue Funds deficits will be eliminated with transfers. The Capital Projects Fund deficit will be eliminated upon receipt of revenue bond and grant proceeds.

## **(11) Development Agreements**

The City has entered into two development agreements to assist various urban renewal projects.

With the first agreement the City has agreed to rebate 95% of the incremental tax paid by the developer in exchange for construction of an assisted living facility by the developer on land located within the Cascade Urban Renewal Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of five years beginning December 1, 2008 and continuing through and including June 1, 2013, or until such earlier date upon which payments equal to \$ 300,000 have been made. The payments shall not constitute a general obligation of the City, but shall be made solely and only from incremental property taxes received by the City from the Dubuque County Treasurer which are attributable to the Property. During the year ended June 30, 2010, the City rebated \$ 67,959 of incremental tax under this agreement. The maximum remaining balance at June 30, 2010, was \$ 232,041.

With the second agreement the City has agreed to rebate 70% of the incremental tax paid by the developer, in exchange for construction and operating of a grocery store by the developer on land within the Cascade Urban Revenue Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of ten years beginning December 1, 2011 and continuing through and including June 1, 2021, or until such earlier date upon which payments equal to \$ 300,000 have been made. The payments shall not constitute a general obligation of the City and shall be subject to annual appropriation by the City Council. The City shall also provide the developer with a five-year, \$ 200,000 forgivable loan at zero percent interest to cover development and construction expenses with building the new grocery store. Beginning January 1, 2010, for each month of operation the developer completes, \$3,333 shall be forgiven by the City. If the developer ceases to own and operate said grocery store at any point during the five-year period, the unforgiven balance shall be immediately due and payable.

## **(12) Commitments**

The City has appropriated \$ 115,677 of urban renewal tax increment financing revenues over the next two years for the rebate of property taxes in connection with development agreements as described in Note 11.

At June 30, 2010, the City had balances remaining on two construction contracts of \$ 280,668.

## **(12) Subsequent Events**

The City entered into contracts to rehabilitate seven houses at a cost of \$ 181,273 under a Community Development Block Grant.

In October, 2010 the City agreed to purchase the ambulance service for \$ 120,000 to be financed with a loan agreement.

The City approved an economic development interest free loan of \$ 50,000 in October, 2010.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CASCADE  
BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES –  
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
AND COMPONENT UNITS  
REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Add Component Unit	Total	Budgeted Amounts Original	Final	Final to Total Variance
<b>Receipts:</b>							
Property tax	\$ 444,562	-	-	444,562	445,638	445,638	(1,076)
Tax increment financing	432,131	-	-	432,131	434,408	434,408	(2,277)
Other city tax	240,517	-	-	240,517	224,450	224,450	16,067
Licenses and permits	7,226	-	-	7,226	8,055	8,055	(829)
Use of money and property	26,638	6,171	9,686	42,495	59,467	29,467	13,028
Intergovernmental	211,296	-	-	211,296	553,130	201,140	10,156
Charges for service	92,195	582,103	2,866,566	3,540,864	3,752,087	3,752,087	(211,223)
Special assessments	46,354	-	-	46,354	36,473	36,473	9,881
Miscellaneous	25,234	4,128	6,530	35,892	15,000	15,000	20,892
Total receipts	1,526,153	592,402	2,882,782	5,001,337	5,528,708	5,146,718	(145,381)
<b>Disbursements:</b>							
Public safety	273,074	-	-	273,074	249,568	284,568	11,494
Public works	418,696	-	-	418,696	314,432	334,432	(84,264)
Culture and recreation	176,266	-	-	176,266	216,941	216,941	40,675
Community and economic development	312,345	-	-	312,345	53,135	123,135	(189,210)
General government	198,764	-	-	198,764	173,875	206,875	8,111
Debt service	338,932	-	-	338,932	320,420	339,420	488
Capital projects	205,124	-	-	205,124	765,790	547,790	342,666
Business type activities	-	440,488	2,636,713	3,077,201	3,462,648	3,462,648	385,447
Total disbursements	1,923,201	440,488	2,636,713	5,000,402	5,556,809	5,515,809	515,407
Excess (deficiency) of receipts over (under) disbursements	(397,048)	151,914	246,069	935	(28,101)	(369,091)	370,026
Other financing sources (uses) net	200,449	(35,449)	-	165,000	180,000	180,000	(15,000)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(196,599)	116,465	246,069	165,935	151,899	(189,091)	355,026
Balances beginning of year	1,129,675	403,851	923,340	2,456,866	2,340,375	2,340,375	116,491
Balances end of year	\$ 933,076	520,316	1,169,409	2,622,801	2,492,274	2,151,284	471,517

See accompanying independent auditor's report and notes to required supplementary Information – budgetary reporting.

## CITY OF CASCADE

### Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$ 41,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public works and community and economic development functions.

## OTHER SUPPLEMENTARY INFORMATION



## Schedule 1

CITY OF CASCADE  
SCHEDULE OF INDEBTEDNESS  
Year Ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation notes:								
Corporate purpose	Oct. 1, 2001	4.50 - 4.80%	\$ 800,000	335,000	-	80,000	255,000	15,595
Utility extension	May 19, 2005	3.59%	420,000	90,000	-	90,000	-	3,230
Street improvement	Dec. 20, 2006	4.95%	156,600	109,620	-	15,660	93,960	5,412
Street improvement	Nov. 11, 2009	3.95%	165,000	-	165,000	16,500	148,500	3,612
Total				\$ 534,620	165,000	202,160	497,460	27,849
Urban renewal tax increment financing (TIF) revenue notes	May 1, 2007	3.75 - 4.00%	\$ 645,000	480,000	-	90,000	390,000	18,552
Revenue note: Polk Street lift station	Feb. 17, 2010	3.00%	\$ 145,000	-	1,450	-	1,450	13

See accompanying independent auditor's report.

## Schedule 2

CITY OF CASCADE  
BOND AND NOTE MATURITIES  
June 30, 2010

General Obligation Notes											
		Corporate Purpose			Street Improvement			Street Improvement			
		Issued Oct. 1, 2001			Dec. 20, 2006			Nov. 11, 2009			
Year	Ending	Interest	Amount	Interest	Rates	Amount	Interest	Rates	Amount	Total	
June 30,		Rates									
2011		4.60%	\$ 80,000	4.95%		\$ 15,660	3.95%		\$ 16,500	112,160	
2012		4.70	85,000	4.95		15,660	3.95		16,500	117,160	
2013		4.80	90,000	4.95		15,660	3.95		16,500	122,160	
2014			-	4.95		15,660	3.95		16,500	32,160	
2015			-	4.95		15,660	3.95		16,500	32,160	
2016			-	4.95		15,660	3.95		16,500	32,160	
2017			-	4.95		15,660	3.95		16,500	16,500	
2018			-			-	3.95		16,500	16,500	
2019			-			-	3.95		16,500	16,500	
Total			\$255,000			\$ 93,960			\$148,500	497,460	
Urban Renewal Tax											
Incremental Financing											
TIF Revenue Bonds											
Polk Street Lift Station											
		Issued May 1, 2007			Feb. 17, 2010			Interest			
Year	Ending	Interest	Amount	Rates	Amount	Interest	Rates	Amount	Total		
June 30,		Rates									
2011		3.80%	\$ 90,000	3.00%		\$ 1,450					
2012		3.90	95,000			-					
2013		4.00	100,000			-					
2014			105,000			-					
Total			\$390,000			\$ 1,450					

See accompanying independent auditor's report.

**STEVEN S. CLAUSEN, CPA**

124A Main • P.O. Box 359

Elkader, Iowa 52043

(563) 245-2154 • (800) 310-2154

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit and each major fund of the City of Cascade, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated January 24, 2011. Our report expressed qualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Cascade's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cascade's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Cascade's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Cascade's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cascade's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The City of Cascade's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the City's responses, we did not audit the City of Cascade's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Cascade and other parties to whom the City of Cascade may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Cascade during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

January 24, 2011

  
Dietz, Donald and Company  
FEIN 42-1172392

CITY OF CASCADE  
SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2010

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL MATERIAL WEAKNESSES:

No material weaknesses were identified

INSTANCES OF NON-COMPLIANCE

No matters were noted

CITY OF CASCADE

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2010

Part II: Other Findings Related to Statutory Reporting:

- II-A-10 **Certified Budget** – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public works and community and economic development functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We amended the budget in May, but did not increase budgeted disbursements by enough in two categories. We will be more careful when amending the budget in the future.

Conclusion – Response accepted.

- II-B-10 **Questionable Disbursements** – We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from funds as defined in an Attorney General’s opinion dated April 25, 1979.

- II-C-10 **Travel Expense** – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-10 **Business Transactions** – No business transactions between City and City officials or employees were noted.

- II-E-10 **Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-10 **Council Minutes** – No transactions were found that we believe should have been approved in the Council minutes but were not.

The Council went into closed session November 9, 2009. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open meetings law.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa.

Response – We will comply with the Code requirements for closed sessions.

Conclusion – Response accepted.

II-G-10 **Deposits and Investments** – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-G-10 **Revenue Bonds and Notes** – No instances of noncompliance with the revenue bond and note resolutions were noted.

II-I-10 **Financial Condition** – The Special Revenue, Road Use Tax and Employee Benefits Funds and the Capital Projects Fund had deficit balances of \$ 45,080, \$ 46 and \$ 156,771, respectively, at June 30, 2010.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to sound financial positions.

Response – The Special Revenue, Road Use Tax and Employee Benefits deficits will be eliminated with transfers. The Capital Projects deficit was due to construction costs incurred prior to issuance of revenue bonds. The deficit was subsequently eliminated.

Conclusion – Response accepted.

II-J-10 **Certified Budget** – Although the Council is required by local ordinance to approve the budget of its discretely presented component unit, Cascade Municipal Utilities, it is not required by state law to include the Utility in its certified budget.

Recommendation – To simplify the budget process for the City, the Utility should be eliminated from the City's certified budget.

Response – We will consider this.

Conclusion – Response accepted.